

**Village of Seville  
Medina County, Ohio**

\* \* \*

*Financial Statements*

*December 31, 2005*





**Auditor of State  
Betty Montgomery**

Village Council  
Village of Seville  
120 Royal Crest Drive  
P.O. Box 22  
Seville, Ohio 44273

We have reviewed the *Independent Auditor's Report* of the Village of Seville, Medina County, prepared by Rea & Associates, Inc., for the audit period January 1, 2005 through December 31, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Seville is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

October 11, 2006

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**VILLAGE OF SEVILLE  
MEDINA COUNTY**

FOR THE YEAR ENDED DECEMBER 31, 2005

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# Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

August 1, 2006

To the Members of Council  
Village of Seville  
120 Royal Crest Drive  
Seville, OH 44273

## INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the Village of Seville, Medina County, Ohio, (the Village) as of and for the year ended December 31, 2005, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Seville's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described more fully in Note 2, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Seville, Medina County, Ohio, as of December 31, 2005, and the respective changes in modified cash financial position and the respective budgetary comparison for the General and Police and Education funds thereof for the year ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 1, 2006 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 3 through 11 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion thereon.

*Rea & Associates, Inc.*



**Village of Seville, Medina County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended December 31, 2005*  
*(Unaudited)*

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The discussion and analysis of the Village of Seville, Medina County, Ohio (the Village's) financial performance provides an overall review of the Village's financial activities for the fiscal year ended December 31, 2005, within the limitations of the Villages' modified cash basis of accounting. The intent of this discussion and analysis is to look at the Village's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Village's financial performance.

The Management's Discussion and Analysis (the "MD&A") is an element of the new reporting model adopted by the Government Accounting Standards Board (GASB) in their Statement No. 34 "Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments" issued in June of 1999. Since this is the first year of financial presentation under GASB Statement No. 34, some analyses with the prior year data is not available. Future analyses will be comparative.

***Financial Highlights***

Key Financial Highlights for 2005 are as follows:

- ❑ General Revenues accounted for \$3.8 million in revenue or 44.6% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for approximately \$4.7 million or 55.4% of total revenues of \$8.5 million.
- ❑ Total program expenses were \$2.8 million in Governmental Activities.
- ❑ In total, net assets of Governmental Activities increased \$253,236, which represents a 42% increase from 2004.
- ❑ Outstanding bond and note debt increased from \$2,585,165 to \$4,313,857 through the issuance of bond and note principal to construct and renovate a new Village municipality building.

***Using the Basic Financial Statements***

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Village's modified cash basis of accounting.

**Report Components**

The statement of net assets and the statement of activities provide information about the cash activities of the Village as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of Village as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

**Village of Seville, Medina County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended December 31, 2005*  
*(Unaudited)*

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**Basis of Accounting**

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Village has elected to present its financial statements on a modified cash basis of accounting. This basis of accounting is a basis of accounting other than accounting principals generally accepted in the United States of America (GAAP). Under the Village's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the modified cash basis of accounting.

***Reporting the Village as a Whole***

*Statement of Net Assets and the Statement of Activities*

The statement of net assets and the statement of activities reflect how the Village did financially during 2005, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the Village at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Village's general receipts.

These statements report the Village's cash position and the changes in cash position. Keeping in mind the limitations of the modified cash basis of accounting, you can think of these changes as one way to measure the Village's financial health. Over time, increases or decreases in the Village's cash position is one indicator of whether the Village's financial health is improving or deteriorating. When evaluating the Village's financial condition, you should also consider other nonfinancial factors as well such as the Village's property tax base, the condition of the Village's capital assets and infrastructure, the extent of the Village's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes. The statement of net assets and the statement of activities reflect how the Village did financially during 2005, within the limitations of modified cash basis accounting.

In the statement of net assets and the statement of activities the Village is divided into two distinct kinds of activities:

*Governmental Activities* All of the Village's non-utility services are reported here, including security of persons and property and general governmental services.

*Business-Type Activities* All of the Village's utility services are reported here, including electric, water, sewer and storm sewer services.

**Village of Seville, Medina County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended December 31, 2005*  
*(Unaudited)*

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***Reporting the Village's Most Significant Funds***

*Fund Financial Statements*

A fund is a grouping of related accounts that is used to maintain control over resources that have segregated for specific activities or objectives. The Village, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Village uses many funds to account for financial transactions. However, these fund financial statements focus on the Village's most significant funds. The funds of the Village are divided into three categories: governmental funds, proprietary funds and fiduciary funds.

**Governmental Funds** - Most of the Village's activities are reported in governmental funds. The governmental fund statements provide a detailed view of the Village's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent to finance the Village's programs. The Village's major governmental funds are the general fund the police and education special revenue fund and the village property capital project fund. The programs reported in government funds are closely related to those reported in the governmental activities section of the entity-wide statements.

**Proprietary Funds** – All of the Village's proprietary funds are classified and enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Village uses enterprise funds to account for water, electric sewer and storm sewer services provided to the Village residents and businesses. All four of the Village's enterprise funds are considered major funds.

**Fiduciary Funds** - Fiduciary funds are used to account for resources held for the benefit of parties outside the Village. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the Village's programs.

**The Village as a Whole**

Recall that the statement of net assets provides the perspective of the Village as a whole. Table 1 provides a summary of Village's net assets for 2005. Since the Village did not prepare financial statements in this format in 2004, a comparative analysis has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

**Village of Seville, Medina County, Ohio**  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended December 31, 2005  
(Unaudited)

**Table 1 Net Assets**  
**December 31, 2005**

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
<b>Assets</b>			
Cash and Cash Equivalents	\$ 589,743	\$ 3,127,459	\$ 3,717,202
Cash and Cash Equivalents-Restricted	264,851	376,529	641,380
Total Assets	<u>\$ 854,594</u>	<u>\$ 3,503,988</u>	<u>\$ 4,358,582</u>
<b>Net Assets</b>			
Restricted for:			
Capital Projects	\$ 208,479	\$ 376,529	\$ 585,008
Debt Service	206,860	0	206,860
Police and Education	10,008	0	10,008
Village Property	93,805	0	93,805
Other Purposes	248,764	0	248,764
Unrestricted	86,678	3,127,459	3,214,137
Total Net Assets	<u>\$ 854,594</u>	<u>\$ 3,503,988</u>	<u>\$ 4,358,582</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2005, the Village's net assets totaled \$4,358,582, with the Business-Type Activities accounting for \$3,503,988 of this balance.

**Village of Seville, Medina County, Ohio**  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended December 31, 2005  
(Unaudited)

Table 2 reflects the changes in net assets for fiscal year 2005. Since the Village did not prepare financial statements in this format in 2004, a comparative analysis has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

**Table 2 - Changes in Net Assets**  
**Period Ending December 31, 2005**

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
<b>Receipts</b>			
<i>Program Cash Receipts:</i>			
Charges for Services	\$ 19,933	\$ 4,646,816	\$ 4,666,749
Operating Grants	74,473	0	74,473
<i>General Receipts:</i>			
Property Taxes	353,071	0	353,071
Income Taxes	833,247	0	833,247
Electric Taxes	218,740	0	218,740
Grants and Entitlements, not Restricted	186,346	0	186,346
Proceeds from Debt Issuance	1,466,795	563,205	2,030,000
Investment Earnings	139,414	7,404	146,818
Miscellaneous	46,077	0	46,077
<i>Total Receipts</i>	<u>3,338,096</u>	<u>5,217,425</u>	<u>8,555,521</u>
<b>Program Disbursements</b>			
General Government	371,600	0	371,600
Security of Persons and Property	653,304	0	653,304
Public Health Services	999	0	999
Leisure Time Activities	115,933	0	115,933
Community Environment	18,946	0	18,946
Transportation	209,372	0	209,372
Capital Outlay	1,262,375	0	1,262,375
Water Services	0	551,562	551,562
Sewer Services	0	301,343	301,343
Electric Services	0	4,656,235	4,656,235
Storm Sewer Services	0	27,887	27,887
Debt Services:			
Principal Retirement	23,000	0	23,000
Interest and Fiscal Charges	143,584	0	143,584
<i>Total Disbursements</i>	<u>2,799,113</u>	<u>5,537,027</u>	<u>8,336,140</u>
<i>Change in Net Assets</i>	538,983	(319,602)	219,381
Transfers	(285,748)	285,748	0
Net Assets, January 1, 2005	<u>601,359</u>	<u>3,537,842</u>	<u>4,139,201</u>
Net Assets, December 31, 2005	<u>\$ 854,594</u>	<u>\$ 3,503,988</u>	<u>\$ 4,358,582</u>

**Village of Seville, Medina County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended December 31, 2005*  
*(Unaudited)*

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Program receipts represent 55.4% of total receipts in 2005 and consist primarily of charges for services.

General receipts represent 44.6% of the Village's total receipts, and of this amount, over 36.8% are income, property, electric and other taxes. State and federal grants and entitlements and debt issued make up the balance of the Village's general receipts. Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for general government represent the overhead costs of running the Village and the support services provided for the other Village activities. These include the costs of the Mayor's Office, Council, the Finance and Economic Development Office, and other departments.

Security of persons and property are the costs of police, fire protection and emergency medical services. Leisure Time Activities is the maintenance of the parks providing leisure activities during the year. Transportation is the cost of maintaining the roads. Capital outlay primarily represents the costs associated with the acquisition and improvements to the Villages' facilities and infrastructure.

**Governmental Activities**

The first column on the statement of activities on page 13 lists the major services provided by the Village. The next column identifies the costs of providing these services. The most significant program disbursements for governmental activities were for security of persons and property, transportation and capital outlay, which account for 23.3%, 7.5%, and 45.1%, of cash disbursements for governmental activities, respectively. The next three columns of the statement, entitled charges for services, operating grants and contributions and capital grants and contributions, identify amounts paid by users who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The net (disbursements)/receipts column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which draws on the general receipts of the Village, which is primarily made up of property and income taxes assessed on the citizens and business of the Village and other grants and entitlements that are not restricted for particular purposes.

Table 3 summarizes the total cost and net cost of providing services to the residents and local businesses of the Village. Since the Village did not prepare financial statements in this format in 2004, a comparative analysis has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

**Village of Seville, Medina County, Ohio**  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended December 31, 2005  
(Unaudited)

**Table 3 Total and Net Costs of Services**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Total Cost of Service</u>	<u>Net Cost of Service</u>	<u>Total Cost of Service</u>	<u>Net Cost of Service</u>
<b><i>Program Disbursements</i></b>				
General Government	\$ 371,600	\$ (355,572)	\$ 0	\$ 0
Security of Persons and Property	653,304	(653,304)	0	0
Public Health Services	999	(999)	0	0
Leisure Time Activities	115,933	(115,688)	0	0
Community Environment	18,946	(15,286)	0	0
Transportation	209,372	(134,899)	0	0
Capital Outlay	1,262,375	(1,262,375)	0	0
Water Services	0	0	551,562	(87,762)
Sewer Services	0	0	301,343	173,849
Electric Services	0	0	4,656,235	(1,016,453)
Storm Sewer Services	0	0	27,887	40,155
Debt Services:				
Principal Retirement	23,000	(23,000)	0	0
Interest and Fiscal Charges	143,584	(143,584)	0	0
<b><i>Total Disbursements</i></b>	<b><u>\$ 2,799,113</u></b>	<b><u>\$ (2,704,707)</u></b>	<b><u>\$ 5,537,027</u></b>	<b><u>\$ (890,211)</u></b>

The dependence upon general receipts is apparent as over 96% of governmental activities are supported through these general receipts.

***The Village's Funds***

Total governmental funds had receipts of \$3,338,542 and disbursements of \$2,799,113. The fund balance in the Village Property Fund increased by \$64,276. This increase is primarily the result of unspent proceeds from a bond issuance used to construct and renovate the Village municipality building. The fund balance of the General Fund decreased \$104,126 or 54.6% as the result of transferring to other funds, to offset the costs related to the programs provided by the specific fund.

General Fund receipts were more than disbursements by \$1,042,124 indicating that the General Fund should be accumulating a cash reserve. However, the Village Administration, with the approval of the Council, elected to transfer significant amounts of cash from the General Fund to Police and Education Fund to help account for salaries and wages accounted for in the Police and Education Fund.

***General Fund Budgeting Highlights***

The Village's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the general fund.

**Village of Seville, Medina County, Ohio**  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended December 31, 2005  
(Unaudited)

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During the course of fiscal year 2005, there were minor amendments to the Village's total general fund budget. The Village uses site-based budgeting and the budgeting system which are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, actual receipts exceeded the final budgeted revenues and other financing sources (\$1.5 million) by over \$100,000. The primary factor contributing to this were income tax receipts and investment earnings exceeding expectations.

Actual disbursements and other financing uses of the general fund were nearly \$200,000 below the final budgeted amount of \$1.9 million. The primary factor contributing to this was expenditures for general government services being approximately \$95,000 below budgeted amounts. This was achieved by a salary and wage freeze adopted by the Village.

**Capital Assets and Debt Administration**

**Capital Assets**

The Village maintains capital asset listings of its land, buildings, infrastructure, and vehicles. Other capital assets are not maintained on detailed capital asset listing. These records are not required to be presented in the financial statements.

**Debt**

At December 31, 2005, the Village had \$4,313,857 in bonds outstanding including AMP-Ohio note of \$924,255. During fiscal year 2005, \$301,358 of general obligation bonds were retired. Table 5 summarizes the Village's long-term obligations outstanding as of year end.

**Table 4 Long-Term Obligations**  
**December 31, 2005**

	<u>2005</u>	<u>2004</u>
<b>Governmental Activities:</b>		
Development Revenue Bonds	\$ 1,466,795	\$ 0
Park Trails Note	<u>23,000</u>	<u>46,000</u>
Total Governmental Activities	<u>1,489,795</u>	<u>46,000</u>
<b>Business-Type Activities:</b>		
OWDA - Water	937,357	1,008,073
OWDA - Sewer	237,627	280,819
OPWC - Waste Water		
Treatment Plant	161,618	173,162
AMP Ohio - Electric	<u>563,205</u>	<u>1,077,111</u>
Total Business-Type Activities	<u>1,899,807</u>	<u>2,539,165</u>
Total Primary Government	<u>\$ 3,389,602</u>	<u>\$ 2,585,165</u>

See the notes to the basic financial statements for further information regarding the debt of the Village.



**Village of Seville, Medina County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended December 31, 2005*  
*(Unaudited)*

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***Current Issues***

The Village has completed three large projects this year:

- The EPA mandated removal of all arsenic from the Village's water supply. Even though the Village was below the allowable percentage, a \$1.5 million upgrade to the water plant was done.
- The Village constructed a new electric substation. This project was done in house which resulted in an approximate 50% savings over using submitted construction bids.
- The Village purchased the defunct party center and renovated it into a new municipal building. This enabled the Village to combine five departments into one building instead of three.

The Village continues to be the fastest growing area of Medina County. We have a 162 home housing development in progress, two new companies building in the industrial park, a new all suites hotel and a newly constructed restaurant.

We've completed a revised comprehensive plan and strive to maintain our small town ambiance at the core with developments on the perimeters. We also opened another park with walking trails including a bridged area over some wetlands.

***Contacting the Village's Financial Management***

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Karen Lucas, Clerk/Treasurer of the Village of Seville, 120 Royal Crest Dr., Seville, OH 44273.

**Village of Seville, Medina County**  
*Statement of Net Assets - Modified Cash Basis*  
 December 31, 2005

	Governmental Activities	Business - Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 589,743	\$ 3,127,459	\$ 3,717,202
Cash and Cash Equivalents - In Segregated Accounts	264,851	376,529	641,380
<i>Total Assets</i>	<u>\$ 854,594</u>	<u>\$ 3,503,988</u>	<u>\$ 4,358,582</u>
<b>Net Assets</b>			
Restricted for:			
Capital Projects	\$ 208,479	\$ 376,529	\$ 585,008
Debt Service	206,860	0	206,860
Police and Education	10,008	0	10,008
Village Project	93,805	0	93,805
Other Purposes	248,764	0	248,764
Unrestricted	86,678	3,127,459	3,214,137
<i>Total Net Assets</i>	<u>\$ 854,594</u>	<u>\$ 3,503,988</u>	<u>\$ 4,358,582</u>

See accompanying notes to the basic financial statements

**Village of Seville, Medina County**  
*Statement of Activities - Modified Cash Basis*  
For the Year Ended December 31, 2005

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets		
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities</b>						
General Government	\$ 371,600	\$ 16,028	\$ 0	\$ (355,572)	\$ 0	\$ (355,572)
Security of Persons and Property	653,304	0	0	(653,304)	0	(653,304)
Public Health Services	999	0	0	(999)	0	(999)
Leisure Time Activities	115,933	245	0	(115,688)	0	(115,688)
Community Environment	18,946	3,660	0	(15,286)	0	(15,286)
Transportation	209,372	0	74,473	(134,899)	0	(134,899)
Capital Outlay	1,262,375	0	0	(1,262,375)	0	(1,262,375)
Principal Retirement	23,000	0	0	(23,000)	0	(23,000)
Interest and Fiscal Charges	143,584	0	0	(143,584)	0	(143,584)
<i>Total Governmental Activities</i>	2,799,113	19,933	74,473	(2,704,707)	0	(2,704,707)
<b>Business Type Activities</b>						
Water	551,562	463,800	0	0	(87,762)	(87,762)
Electric	4,656,235	3,639,782	0	0	(1,016,453)	(1,016,453)
Sewer	301,343	475,192	0	0	173,849	173,849
Storm Sewer	27,887	68,042	0	0	40,155	40,155
<i>Total Business Type Activities</i>	5,537,027	4,646,816	0	0	(890,211)	(890,211)
<b>Total</b>	<b>\$ 8,336,140</b>	<b>\$ 4,666,749</b>	<b>\$ 74,473</b>	<b>\$ (2,704,707)</b>	<b>\$ (890,211)</b>	<b>\$ (3,594,918)</b>
<b>General Receipts</b>						
Property Taxes Levied for:						
General Purposes				256,003	0	256,003
Police and Education				31,059	0	31,059
Other purposes				66,009	0	66,009
Municipal Income Taxes				833,247	0	833,247
Electric Taxes				218,740	0	218,740
Grants and Entitlements not Restricted to Specific Programs						
				186,346	0	186,346
Proceeds From Debt Issuance				1,466,795	563,205	2,030,000
Interest				139,414	7,404	146,818
Miscellaneous				46,077	0	46,077
<i>Total General Receipts</i>				3,243,690	570,609	3,814,299
Transfers				(285,748)	285,748	0
<b>Total General Receipts and Transfers</b>				<b>2,957,942</b>	<b>856,357</b>	<b>3,814,299</b>
Change in Net Assets				253,235	(33,854)	219,381
<i>Net Assets, Beginning of Year</i>				601,359	3,537,842	4,139,201
<i>Net Assets, End of Year</i>				<b>\$ 854,594</b>	<b>\$ 3,503,988</b>	<b>\$ 4,358,582</b>

See accompanying notes to the basic financial statements.

**Village of Seville, Medina County**  
*Statement of Modified Cash Basis Assets and Fund Balances*  
 Governmental Funds  
 December 31, 2005

	General	Police and Education	Village Property	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$ 86,678	\$ 10,008	\$ 35,814	\$ 457,243	\$ 589,743
Cash and Cash Equivalents - In Segregated Accounts	0	0	57,991	206,860	264,851
<i>Total Assets</i>	<u>\$ 86,678</u>	<u>\$ 10,008</u>	<u>\$ 93,805</u>	<u>\$ 664,103</u>	<u>\$ 854,594</u>
<b>Fund Balances</b>					
Reserved:					
Reserved for Encumbrances	\$ 14,520	\$ 57,946	\$ 0	\$ 0	\$ 72,466
Unreserved:					
Undesignated (Deficit), Reported in:					
General Fund	72,158	0	0	0	72,158
Special Revenue Funds	0	(47,938)	0	248,764	200,826
Debt Service Fund	0	0	0	206,860	206,860
Capital Projects Funds	0	0	93,805	208,479	302,284
<i>Total Fund Balances</i>	<u>\$ 86,678</u>	<u>\$ 10,008</u>	<u>\$ 93,805</u>	<u>\$ 664,103</u>	<u>\$ 854,594</u>

See accompanying notes to the basic financial statements.

**Village of Seville, Medina County**  
*Statement of Cash Receipts, Disbursements and Changes in Modified-Cash Basis Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2005*

	General	Police and Education	Village Property	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>					
Electric Taxes	\$ 218,741	\$ 0	\$ 0	\$ 0	\$ 218,741
Municipal Income Taxes	833,247	0	0	0	833,247
Property and Other Local Taxes	223,721	31,059	0	66,009	320,789
Charges for Services	412	0	0	0	412
Fines, Licenses and Permits	17,183	5	0	2,500	19,688
Intergovernmental	182,141	0	0	110,960	293,101
Interest	122,411	0	13,143	3,860	139,414
Miscellaneous	12,755	203	0	33,397	46,355
<i>Total Receipts</i>	<u>1,610,611</u>	<u>31,267</u>	<u>13,143</u>	<u>216,726</u>	<u>1,871,747</u>
<b>Disbursements</b>					
Current:					
General Government	371,600	0	0	0	371,600
Security of Persons and Property	0	652,327	0	977	653,304
Public Health Services	999	0	0	0	999
Leisure Time Activities	114,467	0	0	1,466	115,933
Community Environment	18,946	0	0	0	18,946
Transportation	0	0	0	209,372	209,372
Capital Outlay	38,318	13,697	1,129,475	80,885	1,262,375
Debt Service:					
Principal Retirement	23,000	0	0	0	23,000
Interest and Fiscal Charges	1,157	0	136,587	5,840	143,584
<i>Total Disbursements</i>	<u>568,487</u>	<u>666,024</u>	<u>1,266,062</u>	<u>298,540</u>	<u>2,799,113</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,042,124</u>	<u>(634,757)</u>	<u>(1,252,919)</u>	<u>(81,814)</u>	<u>(927,366)</u>
<b>Other Financing Sources (Uses)</b>					
Bonds Issued	0	0	1,277,954	188,841	1,466,795
Transfers In	0	635,000	19,241	185,815	840,056
Transfers Out	(1,125,804)	0	0	0	(1,125,804)
Advances In	0	0	20,000	0	20,000
Advances Out	(20,000)	0	0	0	(20,000)
Other Financing Uses	(446)	0	0	0	(446)
<i>Total Other Financing Sources (Uses)</i>	<u>(1,146,250)</u>	<u>635,000</u>	<u>1,317,195</u>	<u>374,656</u>	<u>1,180,601</u>
<i>Net Change in Fund Balances</i>	(104,126)	243	64,276	292,842	253,235
<i>Fund Balances, Beginning of Year</i>	<u>190,804</u>	<u>9,765</u>	<u>29,529</u>	<u>371,261</u>	<u>601,359</u>
<i>Fund Balances, End of Year</i>	<u>\$ 86,678</u>	<u>\$ 10,008</u>	<u>\$ 93,805</u>	<u>\$ 664,103</u>	<u>\$ 854,594</u>

See accompanying notes to the basic financial statements.

**Village of Seville, Medina County**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual -Budget Basis*  
*General Fund*  
*For the Year Ended December 31, 2005*

	<u>Budgeted Amounts</u>			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final Budget Positive (Negative)
<b>Receipts</b>				
Electric Taxes	\$ 200,000	\$ 200,000	\$ 218,741	\$ 18,741
Municipal Income Taxes	800,000	800,000	833,247	33,247
Property and Other Local Taxes	220,080	220,080	223,721	3,641
Special Assessments	20	20	0	(20)
Charges for Services	100	5,600	412	(5,188)
Fines, Licenses and Permits	17,550	17,550	17,183	(367)
Intergovernmental	176,490	176,490	182,141	5,651
Interest	80,000	80,000	122,411	42,411
Miscellaneous	10,320	10,320	12,755	2,435
<i>Total receipts</i>	<u>1,504,560</u>	<u>1,510,060</u>	<u>1,610,611</u>	<u>100,551</u>
<b>Disbursements</b>				
Current:				
General Government	462,301	472,327	377,153	95,174
Public Health Services	1,089	1,089	999	90
Leisure Time Activities	119,405	128,856	115,826	13,030
Community Environment	35,290	39,499	25,625	13,874
Capital Outlay	46,850	41,992	39,248	2,744
Debt Service:				
Principal Retirement	0	23,000	23,000	0
Interest and Fiscal Charges	0	1,157	1,157	0
<i>Total Disbursements</i>	<u>664,935</u>	<u>707,920</u>	<u>583,008</u>	<u>124,912</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>839,625</u>	<u>802,140</u>	<u>1,027,603</u>	<u>225,463</u>
<b>Other Financing Sources (Uses)</b>				
Sale of Note	0	0	0	0
Transfers In	0	0	0	0
Transfers Out	(1,200,000)	(1,220,000)	(1,125,804)	94,196
Advances Out	0	0	(20,000)	(20,000)
Other Financing Uses	(900)	(900)	(446)	454
<i>Total Other Financing Sources (Uses)</i>	<u>(1,200,900)</u>	<u>(1,220,900)</u>	<u>(1,146,250)</u>	<u>74,650</u>
<i>Net Change in Fund Balance</i>	(361,275)	(418,760)	(118,647)	300,113
<i>Fund Balance, Beginning of Year</i>	157,052	157,052	157,052	0
Prior Year Encumbrances Appropriated	33,753	33,753	33,753	0
<i>Fund Balance, End of Year</i>	<u>\$ (170,470)</u>	<u>\$ (227,955)</u>	<u>\$ 72,158</u>	<u>\$ 300,113</u>

See accompanying notes to the basic financial statements.

**Village of Seville, Medina County**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual -Budget Basis*  
*Police and Education Fund*  
*For the Year Ended December 31, 2005*

	<u>Budgeted Amounts</u>			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final Budget Positive (Negative)
<b>Receipts</b>				
Property and Other Local Taxes	\$ 30,800	\$ 30,800	\$ 31,059	\$ 259
Miscellaneous	101	101	209	108
<i>Total receipts</i>	<u>30,901</u>	<u>30,901</u>	<u>31,268</u>	<u>367</u>
<b>Disbursements</b>				
Current:				
Security of Persons and Property	688,238	674,906	662,803	12,103
Capital Outlay	46,000	61,167	61,167	0
<i>Total Disbursements</i>	<u>734,238</u>	<u>736,073</u>	<u>723,970</u>	<u>12,103</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(703,337)</u>	<u>(705,172)</u>	<u>(692,702)</u>	<u>12,470</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	800,000	800,000	635,000	(165,000)
<i>Total Other Financing Sources (Uses)</i>	<u>800,000</u>	<u>800,000</u>	<u>635,000</u>	<u>(165,000)</u>
<i>Net Change in Fund Balance</i>	96,663	94,828	(57,702)	(152,530)
<i>Fund Balance, Beginning of Year</i>	7,929	7,929	7,929	0
Prior Year Encumbrances Appropriated	1,835	1,835	1,835	0
<i>Fund Balance, End of Year</i>	<u>\$ 106,427</u>	<u>\$ 104,592</u>	<u>\$ (47,938)</u>	<u>\$ (152,530)</u>

See accompanying notes to the basic financial statements.

**Village of Seville, Medina County**  
*Statement of Fund Net Assets - Modified Cash Basis*  
*Proprietary Funds*  
*December 31, 2005*

	Business-Type Activities				Total Enterprise Funds
	Water	Electric	Sewer	Storm Sewer	
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$ 896,285	\$ 708,181	\$ 1,184,977	\$ 338,016	\$ 3,127,459
Cash and Cash Equivalents - In Segregated Accounts	376,529	0	0	0	376,529
<i>Total Assets</i>	<u>\$ 1,272,814</u>	<u>\$ 708,181</u>	<u>\$ 1,184,977</u>	<u>\$ 338,016</u>	<u>\$ 3,503,988</u>
<b>Net Assets</b>					
Restricted for Capital Projects	\$ 376,529	\$0	\$0	\$0	\$ 376,529
Unrestricted	896,285	708,181	1,184,977	338,016	3,127,459
<i>Total Net Assets</i>	<u>\$ 1,272,814</u>	<u>\$ 708,181</u>	<u>\$ 1,184,977</u>	<u>\$ 338,016</u>	<u>\$ 3,503,988</u>

See accompanying notes to the basic financial statements.



**Village of Seville, Medina County**  
*Statement of Cash Receipts,  
Disbursements and Changes in Fund Net Assets - Modified Cash Basis  
Proprietary Funds  
For the Year Ended December 31, 2005*

	Business-Type Activities				Total Enterprise Funds
	Water	Electric	Sewer	Storm Sewer	
<b>Operating Receipts</b>					
Charges for Services	\$ 463,800	\$ 3,639,782	\$ 475,192	\$ 68,042	\$ 4,646,816
<i>Total Operating Receipts</i>	463,800	3,639,782	475,192	68,042	4,646,816
<b>Operating Disbursements</b>					
Personal Services	75,737	229,195	75,560	103	380,595
Fringe Benefits	26,797	89,020	26,836	16	142,669
Contractual Services	32,959	3,602,745	82,553	4,944	3,723,201
Materials and Supplies	16,588	26,251	18,014	571	61,424
Capital Outlay	199,802	633,802	23,986	22,253	879,843
Other	0	177	0	0	177
<i>Total Operating Disbursements</i>	351,883	4,581,190	226,949	27,887	5,187,909
<i>Operating Income (Loss)</i>	111,917	(941,408)	248,243	40,155	(541,093)
<b>Non-Operating Receipts/ Disbursements</b>					
Proceeds from debt issuance	563,205	0	0	0	563,205
Interest revenue	7,404	0	0	0	7,404
Principal	(73,217)	(33,294)	(54,737)	0	(161,248)
Interest & Fiscal Charges	(126,462)	(41,751)	(19,657)	0	(187,870)
		0			
<i>Total Non-Operating Receipts/Disbursements</i>	370,930	(75,045)	(74,394)	0	221,491
<i>Income (Loss) before Transfers</i>	482,847	(1,016,453)	173,849	40,155	(319,602)
Transfers In	0	285,748	0	0	285,748
<i>Change in Net Assets</i>	482,847	(730,705)	173,849	40,155	(33,854)
<i>Net Assets, Beginning of Year</i>	789,967	1,438,886	1,011,128	297,861	3,537,842
<i>Net Assets, End of Year</i>	\$ 1,272,814	\$ 708,181	\$ 1,184,977	\$ 338,016	\$ 3,503,988

See accompanying notes to the basic financial statements.

**Village of Seville, Medina County**  
*Statement of Fiduciary Net Assets - Modified Cash Basis*  
*Fiduciary Funds*  
*December 31, 2005*

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	<u>Agency</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 105,273
	<u>105,273</u>
<b>Net Assets</b>	
Unrestricted	\$ 105,273
	<u>105,273</u>

See accompanying notes to the basic financial statements.

**VILLAGE OF SEVILLE  
MEDINA COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
DECEMBER 31, 2005**

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**NOTE 1: *REPORTING ENTITY***

The Village of Seville, Medina County, is a body political and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly elected six member Council. The Village provides general governmental services, including road, bridge, water, electric and sewer disposal. The Village has a Mayor's Court which is classified as an agency fund of the governmental unit.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

**NOTE 2: *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***

**Basis of Presentation**

For fiscal year 2005, the Village has implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34 for financial reporting on a modified cash basis, which is a basis other than accounting principals generally accepted in the United States of America (GAAP). The Village has also implemented GASB Statement No. 38 and No. 40, for certain note disclosures. There was no effect on the beginning fund balances caused by the implementation of these Standards due to no change in the basis of accounting.

This modified cash basis of accounting differs from GAAP. Generally accepted accounting principles include all relevant GASB pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. The Village's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

In the government-wide financial statements, and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Village does not apply FASB statements issued after November 30, 1989, to its business-type activities. Following are the more significant of the Village's accounting policies

**VILLAGE OF SEVILLE  
MEDINA COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
DECEMBER 31, 2005**

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*Government-Wide Financial Statements*

The statement of net assets and the statement of activities display information about the Village as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the Village that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of net assets presents the cash balance of the governmental and business-type activities of the Village at year end. The statement of activities compares disbursements with program receipts for each of the Village's governmental and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Village is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function or business-type activity is self-financing on a modified cash basis or draws from the Village's general receipts.

*Fund Financial Statements*

During the year, the Village segregates transactions related to certain Village functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Village at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as nonoperating.

*Fund Accounting*

The Village uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The funds of the Village are divided into three categories, governmental, proprietary and fiduciary.

**VILLAGE OF SEVILLE  
MEDINA COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
DECEMBER 31, 2005**

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*Governmental Funds*

Governmental funds are those through which most governmental functions are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. The following are the Village's major governmental funds:

*General Fund* The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

*Police and Education* The Police and Education Fund is used to accumulate property taxes levied for the Village's Police Department operating, training and education expenses.

*Village Property* The Village Property capital project fund is used to account for the acquisition, construction and maintenance of various projects to improve and maintain the Village's administrative buildings.

The other governmental funds of the Village are used to account for proceeds from specific sources (other than from trusts) such as Police, EMS or for the acquisition or construction of facilities, to include any maintenance on assets of the Village, other than those financed by proprietary funds.

*Proprietary Funds*

The Village classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as either enterprise funds.

*Enterprise Funds* Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. All of the Village's enterprise funds qualify as major funds and are as follows:

*Water fund* The Water fund is used to account for the operation of the water treatment plant and distribution of water to the residents and commercial users of the Village.

*Electric fund* The Electric fund is to account for revenues generated from charges for electric services provided to residential and commercial users of the Village.

*Sewer fund* The Sewer fund is used to account for the operations of the sewage collection and treatment operations.

*Storm Sewer fund* The Storm Sewer fund accounts for the revenues and expenses from the activities related to the Village owned storm drainage system.

**VILLAGE OF SEVILLE  
MEDINA COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
DECEMBER 31, 2005**

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*Fiduciary Funds*

Fiduciary funds include pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village's agency fund accounts for mayor's court fines.

**Basis of Accounting**

The Village's financial statements are prepared using the modified cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Village's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Village are described in the appropriate section in this note.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

**Budgetary Process**

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Village Council may appropriate.

The appropriations ordinance is the Village Council's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Village Council. The legal level of control has been established at the object level for all funds. Advances out are not legally required to be appropriated.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Village Clerk. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Village Council.

**VILLAGE OF SEVILLE  
MEDINA COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
DECEMBER 31, 2005**

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The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Village Council during the year.

**Cash and Investments**

To improve cash management, cash received by the Village is pooled and invested. Individual fund integrity is maintained through Village records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During 2005, the Village invested in nonnegotiable certificates of deposit, U.S. Treasury Bills, a money market fund, and STAR Ohio. The nonnegotiable certificates of deposit and the U.S. Treasury Bills are reported at cost. The Village's money market fund investment is recorded at the amount reported by First Merit at December 31, 2005.

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2005 was \$122,411, which includes \$115,799 assigned from other Village funds.

**Restricted Assets**

Cash, cash equivalent on investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributions, grantors, or laws of other governments, or imposed by law through constitutional provision or enabling legislation.

**Capital Assets**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

**VILLAGE OF SEVILLE  
MEDINA COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
DECEMBER 31, 2005**

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**Accumulated Leave**

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's modified cash basis of accounting.

**Employer Contributions to Cost-Sharing Pension Plans**

The Village recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 11, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**Long-Term Obligations**

The Village's modified cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor capital outlay disbursements are reported at inception. Lease payments are reported when paid.

**Net Assets**

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes primarily include resources restricted for police, EMS and streets programs.

The Village's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

**Fund Balance Reserves**

The Village reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.



**VILLAGE OF SEVILLE  
MEDINA COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
DECEMBER 31, 2005**

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**Interfund Transactions**

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general receipts.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

**Estimates**

The modified cash basis of accounting used by the Village requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates.

***NOTE 3: CHANGE IN BASIS OF ACCOUNTING***

Last year the Village reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. This year the Village has implemented the modified cash basis of accounting described in Note 2. The fund financial statements now present each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type.

***NOTE 4: BUDGETARY BASIS OF ACCOUNTING***

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General fund and Police and Education fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the modified cash basis is outstanding year end encumbrances which are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (modified cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$14,520 for the General fund and \$57,946 for the Police and Education fund.

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**NOTE 5: EQUITY IN POOLED CASH**

Monies held by the Village are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Village treasury. Active monies must be maintained either as cash in the Village treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Village can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

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6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Protection of the Village's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by collateral pledged to the Village by the financial institution, or by a collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Investments in stripped principal or interest obligations reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Village, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Village or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned to it. Protection of District cash and deposits is provided by the Federal Deposit Insurance Corporation, as well as qualified securities pledged by the institution holding the assets. By law, financial institutions must collateralize all public deposits. The face value of the pooled collateral must equal at least 105 percent of public funds deposited. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions

**Undeposited Cash** At year-end, the Village had \$250 in undeposited cash on hand which is included as part of "equity in pooled cash and cash equivalents."

**Deposits** At fiscal year end, the carrying amount of the Village's deposits was \$3,431,060 and the bank balance was \$3,819,708. Of the bank balance:

1. \$301,964 was covered by federal depository insurance; and
2. \$3,517,744 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the Village to a successful claim by the FDIC.

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***Investments***

Investments are reported at fair value. As of June 30, 2005, the Village had the following investments:

<u>Investment</u>	<u>Fair Value</u>	<u>Investment Maturities Less than 1 year</u>	<u>Percentage of Total Investment</u>
First American Treas Oblig - Money Market	\$ 641,380	\$ 641,380	62.12%
Overnight Repurchase Account	391,165	391,165	37.88%
Totals	<u>\$ 1,032,545</u>	<u>\$ 1,032,545</u>	<u>100.00%</u>

*Interest Rate Risk* – The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. The Village’s policy indicates that investments must mature within five years, unless matched to a specific obligation or debt of the Village. The Villages investments are summarized above.

*Credit Risk* – The Village’s investments are summarized above. The First American Treas. Oblig. money market account is rated AAA by Standard & Poor’s. The repurchase agreement is exempt from credit rating reporting.

*Concentration of Credit Risk* - The Village’s investment policy is to diversify its investments by security type and institution. With the exception of U.S. Treasury securities and authorized pools, no more than 50% of the entity’s total investment portfolio will be invested in a single security type or with a single financial institution. During the year, the Village’s investments were in overnight repurchase agreements and money markets.

**NOTE 6: LONG TERM OBLIGATIONS**

The summary that follows lists the outstanding long term obligations of the Village.

During the fiscal year, the Village issued \$2,030,000 in Development Revenue Bonds, Series 2005A. The proceeds from these bonds will be used to provide a portion of the funds necessary to pay the costs of acquiring, constructing, renovation, improving, installing and equipping the Villages’ administrative building and water filtration plant. The balance of funds needed to complete the estimated project costs will be provided by a State Issue II loan and locally contributed funds of the Village.

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A detail of long term obligations is as follows:

	<u>Balance</u> <u>01/01/05</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/05</u>
<b>Governmental Activities</b>				
Park Trails Note				
Interest ate 2.48%				
Issued Nov 20, 2003				
Ending Dec 1, 2006	\$ 46,000	\$ 0	\$ (23,000)	\$ 23,000
Development Revenue Bonds,				
Series 2005A				
Interest ate 5.1%				
Issued May 10, 2005				
Ending May 25, 2025	0	1,466,795	0	1,466,795
Total Governmental Activities	<u>46,000</u>	<u>1,466,795</u>	<u>(23,000)</u>	<u>1,489,795</u>
<b>Business-Type Activities</b>				
Ohio Water Development				
Authority - Water				
Interest Rate 7.66%				
Issued 1990				
Due January 1, 2015	1,008,073	0	(73,217)	934,856
Ohio Water Development				
Authority - Sewer				
Interest Rate 7.51%				
Issued 1990				
Due July 1, 2010	280,819	0	(43,192)	237,627
Development Revenue Bonds -				
Series 2005A				
Interest ate 5.1%				
Issued May 10, 2005				
Ending May 25, 2025	0	563,205	0	563,205
Ohio Public Works Commission -				
Waste Water Treatment Plant				
Interest Rate 0%				
Due January 1, 2020	173,162	0	(11,544)	161,618
Total Business-Type Activities	<u>1,462,054</u>	<u>563,205</u>	<u>(127,953)</u>	<u>1,897,306</u>
Total Primary Government	<u>\$1,508,054</u>	<u>\$2,030,000</u>	<u>\$ (150,953)</u>	<u>\$3,387,101</u>

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The Village incurred obligations in connection with the Ohio Water Development Authority (OWDA) for the construction of the sewer and water facilities. The payments of the completed projects debt is reflected in the enterprise fund.

The Village also incurred a long term obligation in connection with the Ohio Public Works Commission for the Waste Water Treatment Plant Sludge Handling Improvements. The project was completed during February 2000 with the total loan balance being \$161,618. The note payable is a 20 year non-interest bearing note with payments due semiannually. The first payment is due July 1, 2000.

The schedule for principal and interest payments on long-term borrowing for the next five years and thereafter follows:

**Governmental Activities**

<b>Year Ending December 31,</b>	<b>Park Trails Note</b>		<b>2005 A Revenue Bonds</b>		<b>Total</b>
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	
2006	\$23,000	\$322	\$36,128	\$74,346	\$133,796
2007	0	0	43,354	72,411	115,765
2008	0	0	43,354	70,200	113,554
2009	0	0	43,354	67,989	111,343
2010	0	0	50,579	65,686	116,265
2011-2015	0	0	285,411	287,711	573,122
2016-2020	0	0	375,731	205,165	580,896
2021-2025	0	0	588,884	92,403	681,287
<b>Totals</b>	<b>\$23,000</b>	<b>\$322</b>	<b>\$1,466,795</b>	<b>\$935,911</b>	<b>\$2,426,028</b>

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**Business-Type Activities**

Year Ending December 31,	Ohio Water Department Authority Water		Ohio Water Department Authority Sewer		Ohio Public Works Commission Sewer		Series 2005A Revenue Bonds		Total
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2006	\$38,067	\$32,807	\$22,378	\$9,100	\$11,544	\$0	\$13,870	\$28,542	\$156,308
2007	79,050	62,950	48,117	15,067	11,544	0	16,644	27,800	261,172
2008	85,104	57,417	51,731	11,699	11,544	0	16,644	26,951	261,090
2009	91,624	51,459	55,615	8,078	11,544	0	16,644	26,102	261,066
2010	98,643	45,045	59,786	4,191	11,544	0	19,418	25,218	263,845
2011-2015	542,368	110,423	0	0	57,721	0	109,573	110,456	930,541
2016-2020	0	0	0	0	46,177	0	144,248	78,766	269,191
2021-2025	0	0	0	0	0	0	226,164	35,475	261,639
Totals	\$934,856	\$360,101	\$237,627	\$48,135	\$161,618	\$0	\$563,205	\$359,310	\$2,664,852

**NOTE 7: NOTE DEBT**

The Village's note activity, including amount outstanding, interest rate, and the purpose for which the note was issued is as follows:

	Outstanding 01/01/05	Additions	Reductions	Outstanding 12/31/05
.82% Municipal Electric	\$ 1,077,111	\$ 0	\$ (152,856)	\$ 924,255

The note is backed by the full faith and credit of the Village. The note has a term of one year. The note was originally issued in 1993 and has been renewed annually to maintain the lowest possible interest rate. This loan may be converted to long term financing if interest rates fluctuate to a higher percentage. The administrator of the loan, American Municipal Power-Ohio ("AMP-Ohio"), advises them the amount to pay on principal so as the Village still meets the required debt covenant ratio. The note debt is required to be paid off in 2024.

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As further discussed in Note 13 Joint Venture, OMEGA JV5 is managed by AMP-Ohio, which acts as the joint venture's agent. During 1993 and 2001 AMP-Ohio issued \$153,415,000 and \$13,899,981 respectively of 30 year fixed rate Beneficial Interest Certificates (Certificates) on behalf of the Financing Participants of OMEGA JV5. The 2001 Certificates accrete to a value of \$56,125,000 on February 15, 2030. The net proceeds of the bond issues were used to construct the OMEGA JV5 Project. On February 17, 2004 the 1993 Certificates were refunded by issuing 2004 Beneficial Interest Refunding Certificates in the amount of \$116,910,000, which resulted in a savings to the membership of \$34,951,833 from the periods 2005 through 2024. \$286,272 represents the savings to the Village. As part of the refunding, escrow funds were used to reduce the total outstanding liability. Of the total reduction amount of the note outstanding, \$75,045 represents actual principal and interest payments made by the Village during the current year.

**NOTE 8: PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village of Seville. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

Tangible personal property tax is assessed by the property owners, who must file a list of such property taxes to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

	2005 Collections
Agricultural/Residential and Other Real Estate	\$ 50,220,120
Public Utility Personal	573,300
Tangible Personal Property	<u>5,369,508</u>
Total Assessed Value	<u><u>\$ 56,162,928</u></u>



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**NOTE 9: INCOME TAXES**

The Village levies a one percent income tax whose proceeds are placed into the General Fund. The Village levies and collects the tax on all income earned within the Village as well as on incomes of residents earned outside the Village. In the latter case, the Village allows a credit of the lesser of actual taxes paid to another city or one-quarter of one percent of the one percent tax rate on taxable income. Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Village at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually.

**NOTE 10: INTERFUND TRANSFERS AND ADVANCES**

**A. Interfund Transfers**

During 2005 the following transfers were made:

<u>Transfer In</u>	<u>Transfer Out General Fund</u>
Police and Education	\$ 635,000
Village Property	19,241
Other Governmental Funds	185,815
Electric Fund	285,748
	<u>\$ 1,125,804</u>

Transfers represent the allocation of unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**B. Interfund Advances**

During the year, the General fund loaned the Village Property capital project fund \$20,000. Interfund loans are primarily the result of the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, or (3) payments between funds are made. As of December 31, 2005, all interfund loans outstanding are anticipated to be repaid during 2006.

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***NOTE 11: RETIREMENT SYSTEMS***

**Public Employees Retirement System**

The Board of Trustees, Village Clerk, and other employees of the Village belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost sharing, multiple employer plan. This plan provides retirement benefits, including postretirement health care, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code. The Public Employee Retirement System issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or 1-800-222-PERS (7377).

Contribution rates are also prescribed by the Ohio Revised Code. For 2005, PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 2005.

**Police and Firemen's Disability and Pension Fund (PFDPF)**

The Village of Seville contributes to the Police and Firemen's Disability and Pension Fund (PFDPF), a cost sharing multiple employer defined pension plan. PFDPF provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Contribution requirements and benefit provisions are established by the Ohio State Legislature and codified in Chapter 742 of the Ohio Revised Code. The PFDPF issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to PFDPF, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% and 24.0% respectively for police officers and firefighters. The Village has paid all contributions required through December 31, 2005.

***NOTE 12: RISK MANAGEMENT***

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Automobile
- Public Officials Liability

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***NOTE 13: JOINT VENTURE***

**OMEGA JV5**

The Village of Seville is a Financing Participant with an ownership percentage of .82 percent, and shares participation with forty-one other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency Joint Venture 5 (OMEGA JV5). Financing Participants own undivided interests, as tenants in common, without right of partition in the OMEGA JV5 Project.

Pursuant to the OMEGA Joint Venture JV5 Agreement (Agreement), the participants jointly undertook as Financing Participants, the acquisition, construction, and equipping of OMEGA JV5, including such portions of OMEGA JV5 as have been acquired, constructed or equipped by AMP-Ohio.

OMEGA JV5 was created to construct a 42 Megawatt (MW) run-of-the-river hydroelectric plant (including 40MW of backup generation) and associated transmission facilities (on the Ohio River near the Bellville, West Virginia Locks and Dam) and sells electricity from its operations to OMEGA JV5 Participants.

Pursuant to the Agreement each participant has an obligation to pay its share of debt service on the Beneficial Interest Certificates (Certificates) from the revenues of its electric system, subject only to the prior payment of Operating & Maintenance Expenses (O&M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. On dissolution of OMEGA JV5, the net assets will be shared by the financing participants on a percentage of ownership basis. Under the terms of the Agreement each participant is to fix, charge and collect rates, fees and charges at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of OMEGA JV5 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2005 Seville has met their debt coverage obligation.

The Agreement provides that the failure of any JV5 participant to make any payment due by the due date thereof constitutes a default. In the event of a default, OMEGA JV5 may take certain actions including the termination of a defaulting JV5 Participant's entitlement to Project Power. Each Participant may purchase a pro rata share of the defaulting JV5 Participant's entitlement to Project Power, which together with the share of the other non-defaulting JV5 Participants, is equal to the defaulting JV5 Participant's ownership share of the Project, in kilowatts ("Step Up Power") provided that the sum of any such increases shall not exceed, without consent of the non-defaulting JV5 Participant, an accumulated maximum kilowatts equal to 25% of such non-defaulting JV5 Participant's ownership share of the project prior to any such increases.

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Omega JV5 is managed by AMP-Ohio, which acts as the joint venture's agent. During 1993 and 2001 AMP-Ohio issued \$153,415,000 and \$13,899,981 respectively of 30 year fixed rate Beneficial Interest Certificates (Certificates) on behalf of the financing Participants of OMEGA JV5. The 2001 Certificates accrete to a value of \$56,125,000 on February 15, 2030. The net proceeds of the bond issues were used to construct the OMEGA JV5 Project. On February 17, 2004 the 1993 Certificates were refunded by issuing 2004 Beneficial Interest Refunding Certificates in the amount of \$116,910,000, which resulted in a savings to the membership of \$34,951,833 from the periods 2005 through 2024.

The Village's net investment to date in OMEGA JV5 was \$76,112 at December 31, 2005. Complete financial statements for OMEGA JV5 may be obtained from AMP-Ohio or from the State Auditor's website at [www.auditor.state.oh.us](http://www.auditor.state.oh.us).

<u>Municipality</u>	<u>Percent Ownership</u>	<u>KW Entitlement</u>	<u>Municipality</u>	<u>Percent Ownership</u>	<u>KW Entitlement</u>
Arcadia	0.11%	46	Arcanum	0.84%	352
Bowling Green	15.73%	6,608	Bradner	0.35%	145
Beach City	0.30%	128	Brewster	0.79%	333
Bryan	2.19%	919	Custar	0.06%	24
Columbiana	1.66%	696	Elmore	0.58%	244
Cuyahoga Falls	16.67%	7,000	Genoa	0.69%	288
Edgerton	0.92%	385	Grafton	0.64%	269
Eldorado	0.08%	35	Haskins	0.13%	56
Hubbard	2.07%	871	Hudson	5.69%	2,388
Minster	1.99%	837	Jackson	7.14%	3,000
Montpelier	2.02%	850	Jackson Center	0.67%	281
New Bremen	2.38%	1,000	Lodi	0.94%	395
Niles	10.63%	4,463	Lucas	0.13%	54
Oberlin	3.02%	1,270	Milan	0.39%	163
Pioneer	0.76%	321	Monroeville	1.02%	427
Prospect	0.27%	115	Napoleon	7.35%	3,088
Republic	0.08%	35	Oak Harbor	0.94%	396
Seville	0.82%	344	Pemberville	0.92%	386
Versailles	1.10%	460	South Vienna	0.11%	45
Wadsworth	5.62%	2,360	Waynesfield	0.08%	35
Wellington	1.62%	679	Woodville	0.50%	209
	<u>70.04%</u>	<u>29,422</u>		<u>29.96%</u>	<u>12,578</u>
			Grand Total	<u>100.00%</u>	<u>42,000</u>

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**OMEGA JV2**

The Village of Seville is a Non-Financing Participant and an Owner Participant with an ownership percentage of .79 and shares participation with thirty-five other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency (OMEGA JV2). Owner Participants own undivided interests, as tenants in common, in the OMEGA JV2 Project in the amount of their respective Project Shares. Purchaser Participants agree to purchase the output associated with their respective Project shares, ownership of which is held in trust for such Purchaser Participants.

Pursuant to the OMEGA JV2 Agreement, the participants jointly undertook as either Financing Participants or Non-Financing Participants and as either Owner Participants or Purchaser Participants, the acquisition, construction, and equipping of OMEGA JV2, including such portions of OMEGA JV2 as have been acquired, constructed or equipped by AMP-Ohio and to pay or incur the costs of the same in accordance with the JV2 Agreement.

OMEGA JV2 was created to provide additional sources of reliable, reasonably priced electric power and energy when prices are high or during times of generation shortages or transmission constraints, and to improve the reliability and economic status of the participants' respective municipal electric utility system. The Project consists of 138.65 MW of distributed generation of which 134.081MW is the participants entitlement and 4.569MW are held in reserve. On dissolution of OMEGA JV2, the net assets will be shared by the participants on a percentage of ownership basis. OMEGA JV2 is managed by AMP-Ohio, which acts as the joint venture's agent. During 2001, AMP-Ohio issued \$50,260,000 of 20 year fixed rate bonds on behalf of the Financing Participants of OMEGA JV2. The net proceeds of the bond issue of \$45,904,712 were contributed to OMEGA JV2. The Village's net investment in OMEGA JV2 was \$389,789 at December 31, 2005. Complete financial statements for OMEGA JV2 may be obtained from AMP-Ohio or from the Village's Auditor.

The thirty-six participating subdivisions and their respective ownership shares at December 31, 2005 are:

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Municipality	Percent Ownership	KW Entitlement	Municipality	Percent Ownership	KW Entitlement
Hamilton	23.87%	32,000	Grafton	0.79%	1,056
Bowling Green	14.32%	19,198	Brewster	0.75%	1,000
Niles	11.49%	15,400	Monroeville	0.57%	764
Cuyahoga Falls	7.46%	10,000	Milan	0.55%	737
Wadsworth	5.81%	7,784	Oak Harbor	0.55%	737
Painsville	5.22%	7,000	Elmore	0.27%	364
Dover	5.22%	7,000	Jackson Center	0.22%	300
Galion	4.29%	5,753	Napoleon	0.20%	264
Amherst	3.73%	5,000	Lodi	0.16%	218
St. Mary's	2.98%	4,000	Genoa	0.15%	199
Montpelier	2.98%	4,000	Pemberville	0.15%	197
Shelby	1.89%	2,536	Lucas	0.12%	161
Versailles	1.24%	1,660	South Vienna	0.09%	123
Edgerton	1.09%	1,460	Bradner	0.09%	119
Yellow Springs	1.05%	1,408	Woodville	0.06%	81
Oberlin	0.91%	1,217	Haskins	0.05%	73
Pioneer	0.86%	1,158	Arcanum	0.03%	44
Seville	0.79%	1,066	Custar	0.00%	4
	<u>95.20%</u>	<u>127,640</u>		<u>4.80%</u>	<u>6,441</u>
			Grand Total	<u>100.00%</u>	<u>134,081</u>

**NOTE 14: SUBSEQUENT EVENT**

During January 2006, the Village entered into a loan agreement with AMP-Ohio for \$1,300,000 in order to finance the cost of making improvements to its electric system, including the construction and installation of a new substation. Principal and interest payments will be retired from net revenues of its electric system, together with interest thereon equal to the rate of interest on the AMP-Ohio Member Electric System Improvement Bond Anticipation Notes (“Notes”), or notes issued to refund the Notes, or the AMP-Ohio Member Electric System Improvement Bonds (“Bonds”) in anticipation of which Bonds the Notes are issued. Interest is due and payable at maturity of the Notes and any refunding notes. The final maturity date of any notes, refunding notes, or any Bonds shall be not later than December 31, 2026.

**NOTE 15: COMPLIANCE**

Contrary to Ohio Revised Code Section 5705.39 the General funds’ original and final appropriated budgeted exceeded the certified estimated resources by \$170,468 and 227,953, respectively, which are deemed immaterial to the financial statements.

# Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

August 1, 2006

To the Members of Council  
Village of Seville  
Medina County, Ohio

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

We have audited the accompanying financial statements of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of Village of Seville, Medina County, Ohio (the "Village") as of and for the year ended December 31, 2005, which collectively comprise the Village's basic financial statements, and have issued our report thereon dated August 1, 2006, wherein we noted the Village revised its financial presentation comparable to the requirements of Government Accounting Standards No. 34. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Seville's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Seville's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated August 1, 2006.

This report is intended solely for the information and use of Council Members, management, and others within the village, and it is not intended to be and should not be used by anyone other than those specified parties.

*Rea & Associates, Inc.*





**Auditor of State  
Betty Montgomery**

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**VILLAGE OF SEVILLE**

**MEDINA COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
OCTOBER 23, 2006**